

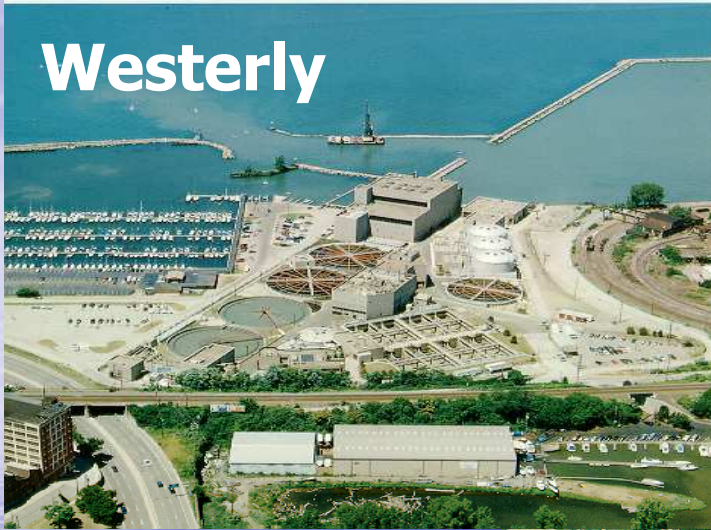
The New Financial Capability: What's Outside the Box?

Lisa E. Hollander
First Assistant General Counsel
Northeast Ohio Regional Sewer District

November 8, 2007

NEORSD

Westerly



Easterly

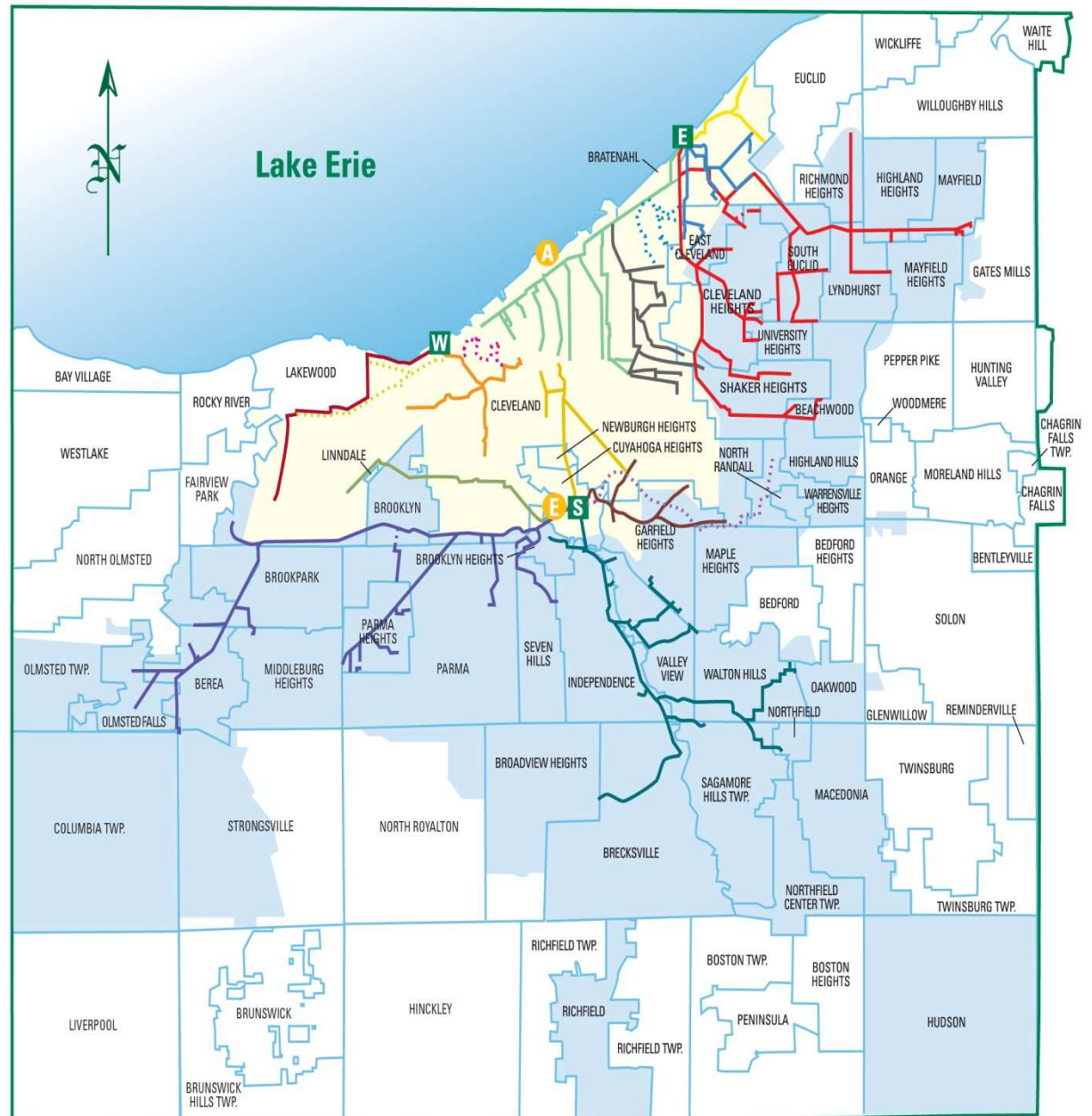


**We serve
approximately
1 million
people**



Southerly

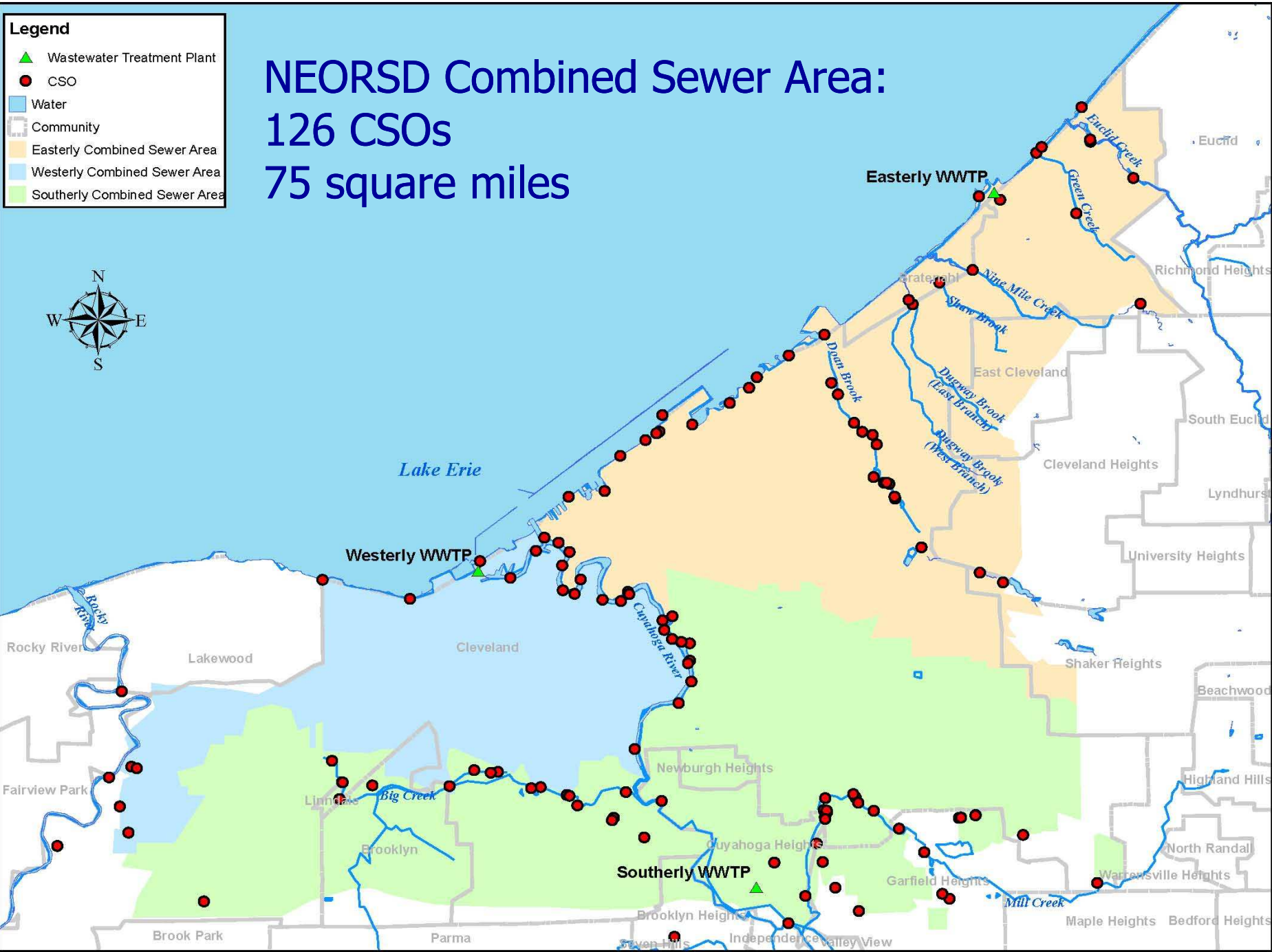
**We own and
maintain 207
miles of
interceptor
sewers.**



Legend

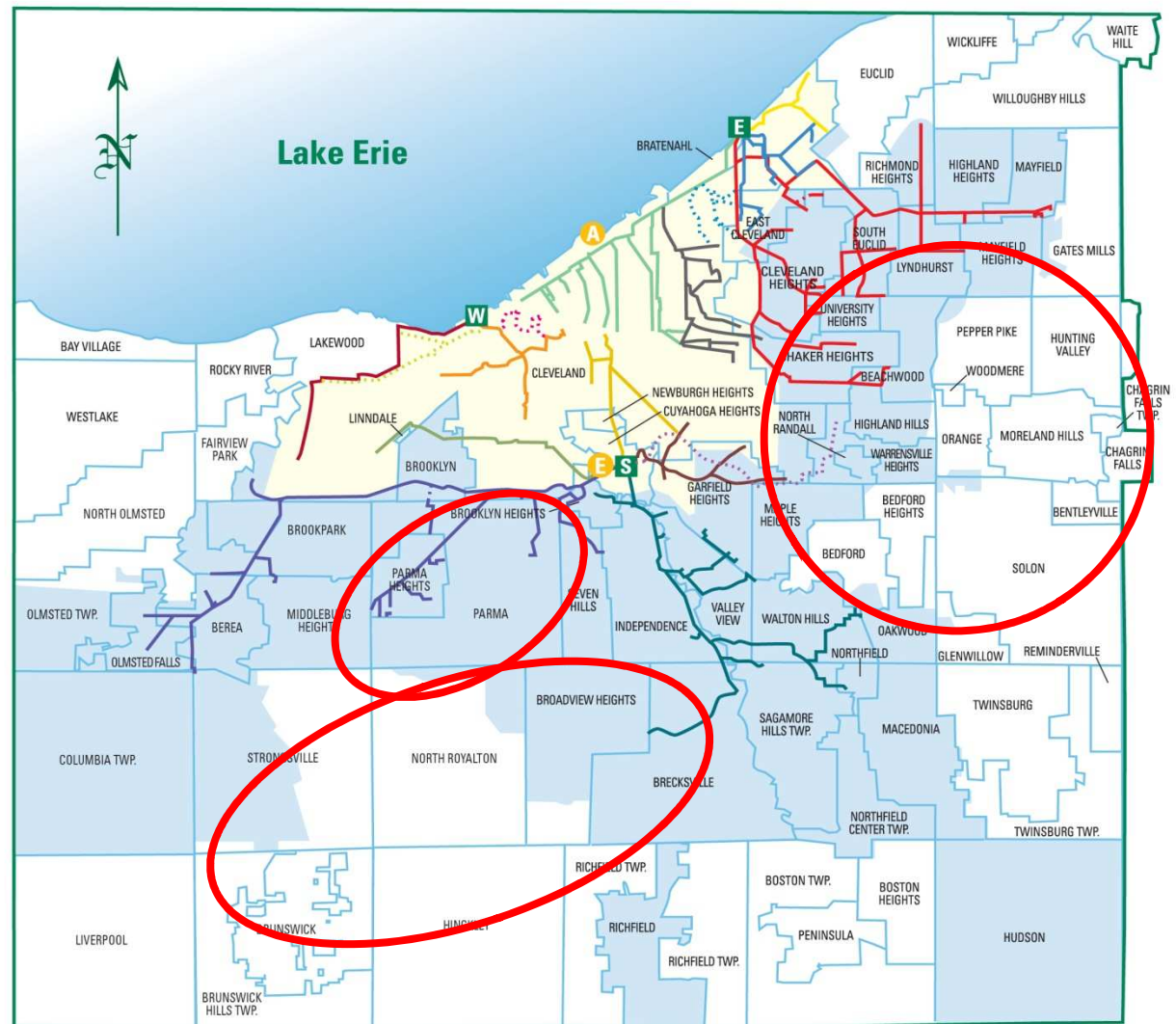
- ▲ Wastewater Treatment Plant
- CSO
- Water
- Community
- Easterly Combined Sewer Area
- Westerly Combined Sewer Area
- Southerly Combined Sewer Area

NEORSD Combined Sewer Area:
126 CSOs
75 square miles



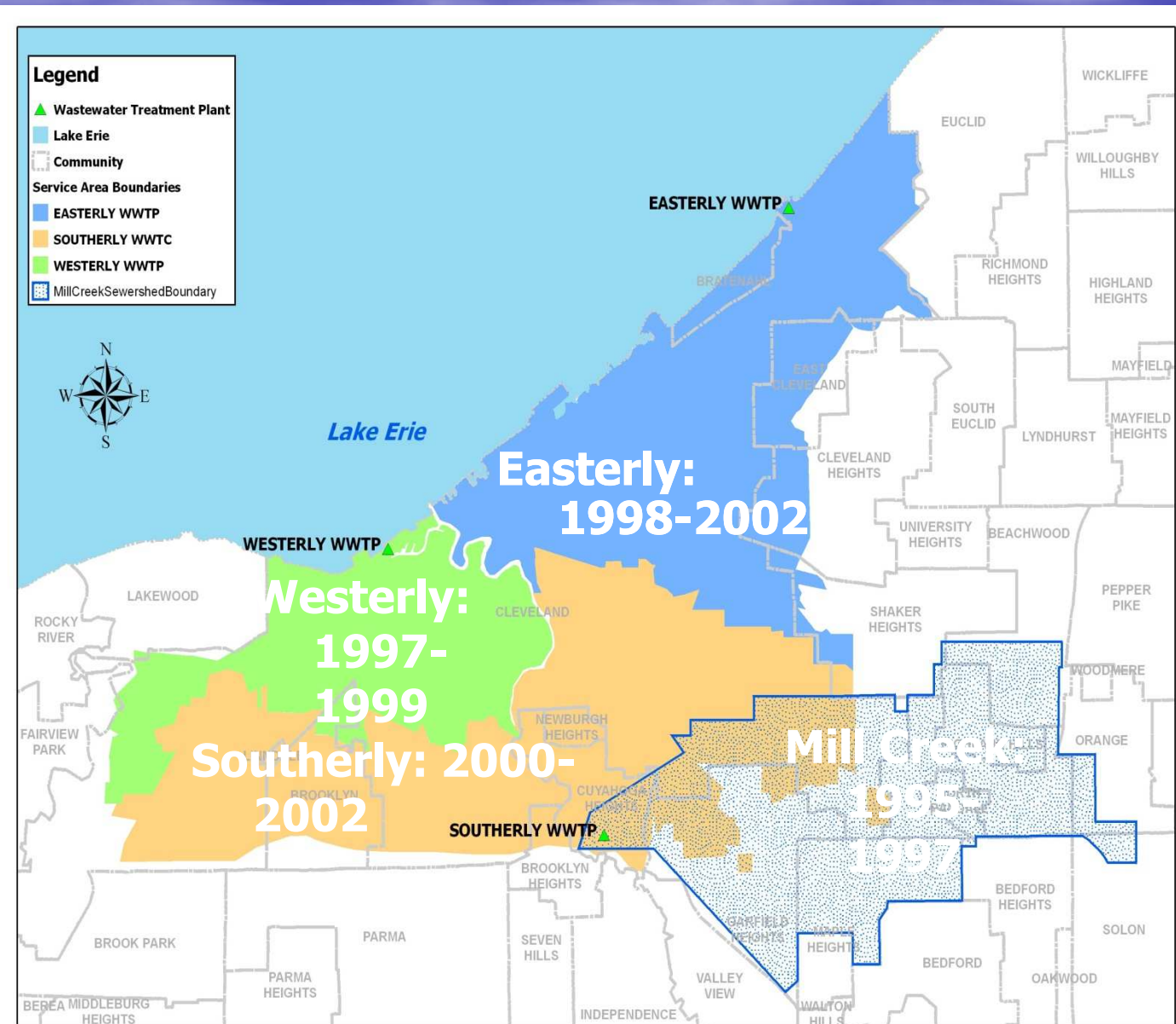
CSO Control Program 1970's-1990's

**3 Major
Interceptors :
Northwest
Southwest
Heights/Hilltop**

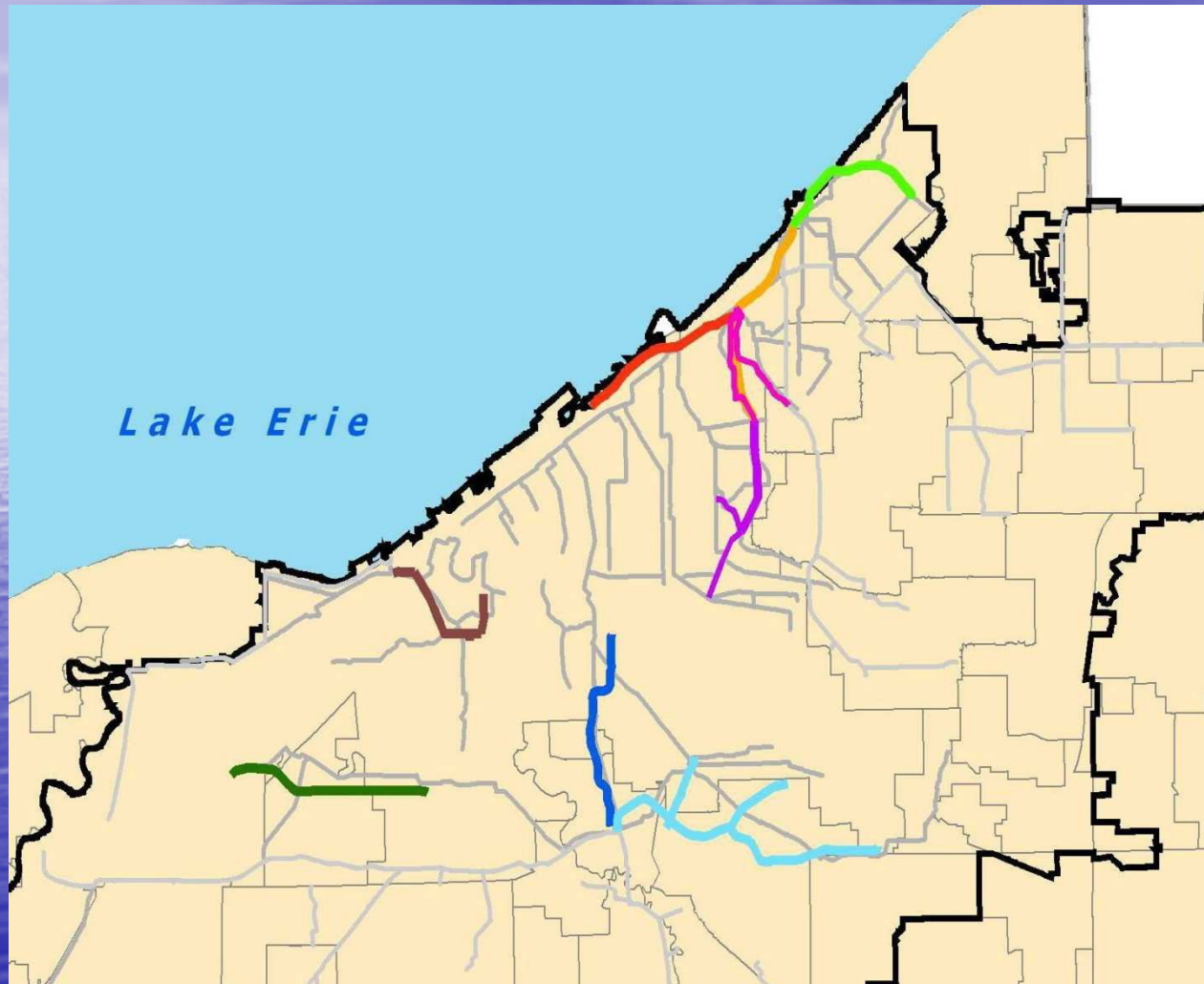


CSO Control Program 1990's-today

CSO Facilities Plans were developed between 1995 and 2002 at a cost of \$35 million - early action and Mill Creek projects have been constructed to date



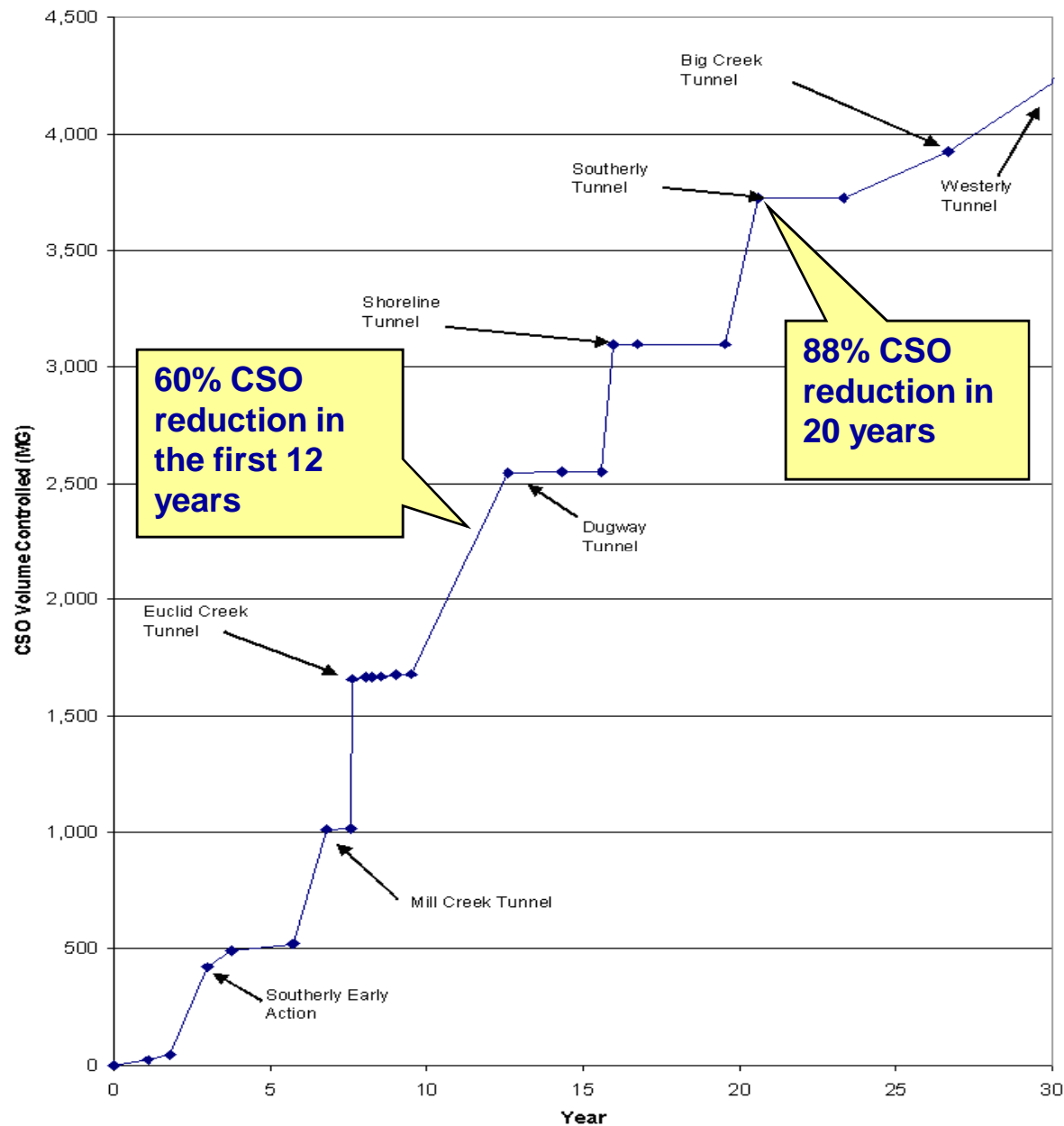
Tunnel Storage is the Most Cost-Effective Solution



LTCP projects will construct 103 miles of storage tunnels ranging from 20 to 24 feet in diameter

Control level will be 4 overflows per year or fewer, system-wide averaging 2 overflow per year

Program cost (2007 estimate): over \$2 billion



CSO reductions are front-end loaded in the 30-year plan, resulting in a schedule that balances environmental gain with affordability/constructability issues.

Current realities

- Past expenditures over \$890 million (through 2006)
- Increasing operations and maintenance expenses
- Capital Plan totaling \$580 million (through 2011)
- Diminishing Water Pollution Control Loan Fund (WPCLF) funding
- Service area doubled, number of customers remains constant
- City of Cleveland
 - Poorest big city in the U.S. in 2004, 2006 (U.S. Census Bureau)
 - 32.4% of residents below poverty level (2006)
 - Population loss of 5.4% from 1990-2000; 50% since 1950

Rate Schedule 2007-2011

	Subdistrict 1		Subdistrict 2	
	Regular (per MCF)	Homestead (per MCF)	Regular (per MCF)	Homestead (per MCF)
Year 2007	\$30.85	\$20.75	\$35.10	\$23.55
Year 2008	\$33.85	\$22.75	\$37.85	\$25.40
Year 2009	\$37.15	\$24.95	\$40.90	\$27.45
Year 2010	\$40.75	\$27.35	\$44.25	\$29.70
Year 2011	\$44.75	\$30.05	\$48.00	\$32.25

CSO Financial Capability Analysis Completed in 2004

- High burden according to USEPA's own affordability analysis guidelines
- Based on 30-year CSO construction schedule, total wastewater-related costs of \$4.65 billion
 - District-wide: 2.32% of MHI
 - City of Cleveland: 3.43% of MHI
- Additional economic factors
 - Service area population decline next 25 years = 11.6%
 - Cleveland poverty level
 - Local municipal income and sales taxes

Schedule Compression Analysis for Alternative to 30-year Schedule

- Factors considered:
 - Surety bonding costs
 - Local construction market saturation
 - Regional CSO and tunnel/underground construction market saturation
 - Spoils hauling and disposal
 - Supplemental program management
 - Additional claims and change orders
- Increased total costs of \$280 million due to acceleration of the design and construction schedule.

Residential Indicators Summary for CSO and Wastewater Related Costs

CSO Program Implementation Period	CSO CIP (\$ Billion)	NEORS Service Area	City of Cleveland
30 year	\$1.608	2.32%	3.43%
25 year	\$1.759	2.37%	3.50%
20 year	\$1.890	2.41%	3.57%

The New Financial Capability: What's Outside the Box?

Lisa E. Hollander
First Assistant General Counsel
Northeast Ohio Regional Sewer District

November 8, 2007